

**MUNISING PUBLIC SCHOOLS
MUNISING, MICHIGAN
FINANCIAL STATEMENTS
For the Year Ended June 30, 2008**

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INDEPENDENT AUDITORS' REPORT

Board of Education
Munising Public Schools
411 Elm Avenue
Munising, Michigan 49862

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Munising Public Schools, as of and for the year ended June 30, 2008, which collectively comprise the Munising Public Schools' basic financial statements as listed in the table of contents. These financial statements are the responsibility of Munising Public Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Munising Public Schools, as of June 30, 2008, and the respective changes in financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2008, on our consideration of the Munising Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 6 through 12 and 33 and 34, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Board of Education
Munising Public Schools
Munising, Michigan 49862

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Munising Public Schools' basic financial statements. The combining and individual fund financial statements and schedules are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Jackman & Company, PLLC
Certified Public Accountants

September 12, 2008

Munising Public Schools

Management's Discussion and Analysis (Unaudited)

Our discussion and analysis of Munising Public Schools financial performance provides an overview of the School District's financial activities for the year ended June 30, 2008. Please read it in conjunction with the financial statements, which begin on page 13.

FINANCIAL HIGHLIGHTS

- Net assets for Munising Public Schools as a whole were reported at \$1,220,992 comprised of 100% governmental activities.
- During the year, Munising Public Schools expenses were \$8,145,864, while revenues from all sources totaled \$7,852,887, resulting in a decrease in net assets of \$292,977.
- The general fund reported a decrease of \$501,769. This is \$128,437 lower than the final forecasted decrease of \$630,206. This was a result of revenues being \$52,053 higher and expenses being \$69,229 lower than forecasted, both of which are immaterial when compared with budgeted revenues of \$6,826,471 and budgeted expenditures of \$7,323,177.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Munising Public Schools financially as a whole. The *District-wide Financial Statements* Statement of Net Assets and the Statement of Activities (on pages 13 and 14) provide information about the activities the School District as a whole and present a longer-term view of those finances. The fund financial statements present the next level of detail and start on page 15. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. The fund financial statements also report the School District's operations in more detail than the district-wide statements by providing information about the School District's most significant funds – the General Fund and Debt Service Fund, with all other funds presented in one column as non-major funds. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

Reporting the School District as a Whole – *District-wide Financial Statements*

Our analysis of the Munising Public Schools as a whole begins on page 7. One of the most important questions asked about the School District's finances is "As a whole, what is the School District's financial condition as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the School District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in them. The School District's net assets – the difference between assets and liabilities – are one way to measure the School District's financial health, or financial position. Over time, increases or decreases in the School District's net assets – as reported in the Statement of Activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our

Management's Discussion and Analysis (Unaudited) (Continued)

students, not to generate profits as private-sector companies do. One must consider other non-financial factors, such as the quality of education provided, the safety of the schools and the condition of the School District's capital assets, to assess the overall financial health of the School District.

The Statement of Net Assets and Statement of Activities report the governmental activities for the School District, which encompass all the School District's services, including instruction, supporting services, community services, athletics, and food services. Property taxes, unrestricted State Aid (foundation allowance revenue), and State and Federal grants finance most of these activities.

Reporting the School District's Most Significant Funds – *Fund Financial Statements*

Our analysis of the School District's major funds begins on page 9. The fund financial statements begin on page 14 and provide detailed information on the most significant funds – not the School District as a whole. Some funds are required to be established by State law, and by bond covenants. However, the School District's Board has established other funds to help it control and manage money for particular purposes.

- *Governmental Funds* – Most of the School District's services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and Statement of Activities) and governmental funds in a reconciliation which follows the fund financial statements.

The School District as Trustee – Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net assets. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

The School District as a Whole

Table 1 provides a summary of the School District's net assets as of June 30, 2008 and 2007:

Table 1		
Net Assets		
	Governmental Activities – 2008	Governmental Activities – 2007
Current and other assets	\$ 2,771,447	\$ 3,287,723
Non-current assets	4,600,013	4,584,692
Total Assets	7,371,460	7,872,415
Current liabilities	1,010,452	984,956
Long-term liabilities	5,140,016	5,373,490
Total Liabilities	6,150,468	6,358,446

Management's Discussion and Analysis (Unaudited) (Continued)

	Governmental Activities – 2008	Governmental Activities – 2007
Net Assets:		
Invested in capital assets, net of related debt	\$318,382	\$ (144,659)
Restricted	160,439	188,631
Unrestricted	742,171	1,469,997
Total Net Assets	<u>\$1,220,992</u>	<u>\$1,513,969</u>

The School District's net assets were \$1,220,992 at June 30, 2008. Capital assets, net of related debt totaling \$318,382, compares the original cost, less depreciation of the School District's capital assets to long-term debt, used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining amount of net assets of \$742,171 was unrestricted.

The \$ 742,171 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal years 2008 and 2007.

Table 2
Change in Net Assets

	Governmental Activities – 2008	Governmental Activities – 2007
Revenues		
Program revenues:		
Charges for services	\$243,673	\$262,331
Operating grants and contributions	1,171,323	1,167,474
Capital grants and contributions	-	-
General revenues:		
Property taxes	2,204,505	2,030,798
State sources not restricted to specific program	4,102,673	4,690,164
Investment earnings	67,553	138,091
Miscellaneous	63,160	96,670
Total Revenues	<u>7,852,887</u>	<u>8,385,528</u>
Program Expenses:		
Instruction	4,377,083	4,173,581
Supporting services	2,717,940	2,776,360
Community activities	257	-
Payments to other governmental agencies	-	-
Facilities acquisitions	28,385	33,074
Food service activities	307,791	304,464
Athletic activities	169,075	178,447
Public Library activities	50,497	70,052
Interest on retirement of debt	155,130	181,900
Depreciation – unallocated	339,706	360,230
Total Expenses	<u>8,145,864</u>	<u>8,078,108</u>
Increase (decrease) in net assets	(292,977)	307,420
Net assets, beginning	1,513,969	1,206,549
Net Assets, Ending	<u>\$1,220,992</u>	<u>\$1,513,969</u>

Management's Discussion and Analysis (Unaudited) (Continued)

As reported in the Statement of Activities, the cost of all of our governmental activities this year was \$8,145,864. Certain activities were partially funded from those who benefited from the programs \$243,673 or by other governments and organizations that subsidized certain programs with grants and categoricals \$1,167,143. We paid for the remaining "public benefit" portion of our governmental activities with \$2,204,505 in taxes, \$4,101,965 in State Foundation Allowance, and with our other revenues, such as interest and general entitlements.

The School District experienced a decrease in net assets for the year of \$292,977.

Key reasons for the change in net assets were as follows:

- Net decrease in governmental fund balances of \$(526,611).
- Depreciation charged to expense of \$(339,706).
- Purchase of capital assets in the amount of \$359,690.
- Principal payment on debt in the amount of \$400,000.
- Other miscellaneous transactions of \$43,057, amortization of refunding bond transactions.
- Change in compensated absences \$(229,407)

Table 3 presents the cost of each of the School District's largest activities as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each function placed on the School District's operation.

Table 3
Governmental Activities

	Total Cost Of Services	Net Cost Of Services
Instruction	\$4,377,083	\$3,366,455
Supporting services	2,717,940	2,717,940
Food service activities	307,791	16,946
Interest on retirement of debt	155,130	155,130
Athletic activities	169,075	117,285

The net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of the School District's operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available financial resources.

The School District's Funds

As noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

As the School District completed the year, its governmental funds (as presented in the balance sheet on page 15) reported a combined fund balance of \$2,176,156, a decrease \$(526,611) from the beginning of the year.

The decrease of \$526,611 in the combined fund balance is the net effect of a decrease in the General Fund Balance of \$501,769 and a decrease in the Debt Fund Balance of \$28,192 and an increase in the non-major fund balances of \$3,350. The decrease in the Debt Fund is due to the reduction in the resources necessary for the payment of general long-term debt principal, interest, and related costs.

Management's Discussion and Analysis (Unaudited) (Continued)

General Fund Budgetary Highlights

Over the course of the year, the School District's Board revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

Changes to the General Fund original budget occurred during the annual budget reviews in January and June 2008.

BUDGETED REVENUES

General Fund Revenues changed from original to final budget during the year due to Federal Grants:

	Original Budget	Final Budget	Budget Variance	
			Amount	Percent
Total	<u>\$6,893,186</u>	<u>\$6,826,471</u>	<u>\$66,715</u>	<u>1%</u>

The net decrease in budgeted revenues of \$66,715 was the result of two main budget adjustments. There was a positive adjustment for the receipt of approximately \$60,000 in additional Special Education revenues from Medicaid School Based Service Funds. These funds were included in the final special education payment from MARESA. The other main reason for the budget change was due to prior year adjustments to the district's taxable value. The Alger County Treasurer made corrections to the school district's taxable value amounts that they had incorrectly reported to the State of Michigan from 1996 to the present. The cumulative effective of all of these changes to taxable value netted out to a negative revenue adjustment of about \$130,000.

BUDGETED EXPENDITURES

General Fund expenditures changed from the original to final budget during the year as follows:

	Original Budget	Final Budget	Budget Variance	
			Amount	Percent
Total	<u>\$7,157,592</u>	<u>\$7,323,177</u>	<u>\$165,585</u>	<u>2%</u>

The State of Michigan mandates that the district have an approved budget in place by June 30th. Negotiations between the board and the two unions in the district took place after that date and therefore, the original budget did not reflect the outcomes of the negotiations. Another significant adjustment to the original budget was for the track project. The project was initiated due to safety concerns with portions of the track that had sloped downward. After initial boring and testing of the surface beneath the track, it was determined that more extensive excavation would be required than was originally planned. Some design issues with the existing track also were reconfigured during the project which added to the final cost.

Management's Discussion and Analysis (Unaudited) (Continued)

ACTUAL REVENUES

The General Fund actual revenues differed from the final budget as follows:

	Final Budget	Actual	Budget Variance	
			Amount	Percent
Total	\$6,826,471	\$6,878,524	\$52,053	1%

The actual revenues exceeded the final forecast because the district received additional funding under a new state categorical called Isolated Districts. This categorical was not approved until after June 30, 2008, which is when the final budget forecast was required to be completed. The payment of \$26,759 was received from the State of Michigan in August as a part of the regularly scheduled State Aid Payment. The district also received approximately \$27,000 in prior year delinquent tax payments and homestead denials.

ACTUAL EXPENDITURES

General Fund actual expenditures differed from the final budget as follows:

	Final Budget	Actual	Budget Variance	
			Amount	Percent
Total	\$7,323,177	\$7,253,948	\$69,229	1%

The general fund budgeted expenditures were \$7,323,177. The Board anticipates that approximately 1% of this amount will be unspent at the end of each fiscal year. This is very close to the \$69,229 that was unspent for the 2007-08 fiscal year.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2008 and 2007, the School District had \$4,564,650 and \$4,544,666, respectively, invested in a variety of capital assets including land, buildings, and machinery and equipment. (See table 4 below)

Table 4		
Capital Assets at Year-End (net of depreciation)		
	2008	2007
Land	\$167,626	\$167,626
Land improvements	259,457	95,261
Buildings	3,475,952	3,611,707
Equipment	497,579	434,067
Vehicles and buses	164,036	213,519
Construction-in-progress	-	22,486
Totals	\$4,564,650	\$4,544,666

The during the year there were purchases of new computer systems and other equipment of \$175,791, athletic field improvements of \$152,614 depreciation expense of \$339,706 and other Building additions of \$31,285.

We anticipate capital additions for the 2008-2009 fiscal years will be comparable to the 2007-2008 fiscal years. We present more detailed information about our capital assets in the notes to the financial statements.

Management's Discussion and Analysis (Unaudited) (Continued)

Debt

At June 30, 2008 and 2007, the School District had bonds outstanding as depicted in Table 5 below.

Table 5
Outstanding Debt at Year-End

	Governmental Activities – 2008	Governmental Activities – 2007
General obligation bonds	\$3,919,754	\$4,319,754

There were no new additions or long-term debt in this fiscal year. We present more detailed information about our long-term debt in the notes in the financial statements.

Economic Factors and Next Year's Budgets

Our elected officials and administration consider many factors when setting the School District's fiscal year 2009 budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2009 fiscal year budget was adopted in June 2008, based on an estimate of students that will be enrolled in September 2008. Approximately 83 percent of total General Fund revenues are from the foundation allowance. Under State law, the School District cannot access additional property tax revenue for general obligations. As a result, the district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2008-2009 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2009 fiscal year budget. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget, if actual district resources are not sufficient to fund original appropriations.

Uncertainty about the amount of State revenues has a negative impact on financial planning. The District is often several months into its new fiscal year before the State revenue levels are finalized.

Contacting the School District's Financial Management

This financial report is designated to provide the School District's citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Munising Public Schools, 411 Elm Street, Munising, Michigan 49862.

Munising Public Schools

Statement of Net Assets

June 30, 2008

	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,852,377
Investments	-
Receivables:	
Accounts receivable	859,197
Delinquent property taxes	-
Due from other governmental units	-
Inventories	59,623
Prepaid expense	250
TOTAL CURRENT ASSETS	2,771,447
Non-current assets:	
Unamortized bond issue costs	35,363
Land and construction in progress	167,626
Capital assets	13,042,341
Less accumulated depreciation	(8,645,317)
TOTAL NON-CURRENT ASSETS	4,600,013
TOTAL ASSETS	7,371,460
LIABILITIES	
Current liabilities:	
Accounts payable	16,262
Accrued liabilities	574,518
Deferred revenue	4,511
Current portion of long term debt obligations	415,161
TOTAL CURRENT LIABILITIES	1,010,452
Non-current liabilities:	
Non-current portion of employee benefit obligations	1,273,546
Non-current portion of long term debt obligations	3,504,593
Deferred gain and premium on refunding bonds	361,877
TOTAL NON-CURRENT LIABILITIES	5,140,016
TOTAL LIABILITIES	6,150,468
NET ASSETS:	
Invested in capital assets, net of related debt	318,382
Restricted:	
Debt Service	160,439
Unrestricted	742,171
TOTAL NET ASSETS	\$ 1,220,992

The accompanying notes are an integral part of these financial statements.

Munising Public Schools

Statement of Activities

For the Year Ended June 30, 2008

Function / Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 4,377,083	\$ -	\$ 1,010,628	\$ (3,366,455)
Supporting services	2,717,940	-	-	(2,717,940)
Community Service	257	-	-	(257)
Payments to other governmental agencies	-	-	-	-
Facilities acquisitions	28,385	-	-	(28,385)
Food service activities	307,791	130,150	160,695	(16,946)
Athletic activities	169,075	51,790	-	(117,285)
Public library activities	50,497	61,733	-	11,236
Interest on retirement of debt	155,130	-	-	(155,130)
Depreciation - unallocated	339,706	-	-	(339,706)
TOTAL GOVERNMENTAL ACTIVITIES	8,145,864	243,673	1,171,323	(6,730,868)
General revenues:				
Taxes				
Property taxes, levied for general purposes				1,645,310
Property taxes, levied for debt services				559,195
Federal and State aid not restricted to specific purposes				
General				4,102,673
Interest and investment earnings				67,553
Miscellaneous				63,160
Transfers				-
TOTAL GENERAL REVENUES				6,437,891
CHANGES IN NET ASSETS				(292,977)
Net Assets , July 1				<u>1,513,969</u>
NET ASSETS, JUNE 30				<u><u>\$ 1,220,992</u></u>

The accompanying notes are an integral part of these financial statements.

Munising Public Schools

Governmental Funds

Balance Sheet

June 30, 2008

	General Fund	Debt Service Fund	Non-Major Governmental Funds	Total
ASSETS				
Cash and cash equivalents	\$ 1,824,511	\$ 160,439	\$ 14,295	\$ 1,999,245
Investments	-	-	-	-
Receivables:				
Accounts receivable	852,636	-	6,561	859,197
Delinquent property taxes	-	-	-	-
Due from other funds	-	-	129,845	129,845
Due from other governmental units	-	-	-	-
Inventories	44,183	-	15,440	59,623
Prepaid expense	250	-	-	250
TOTAL ASSETS	\$ 2,721,580	\$ 160,439	\$ 166,141	\$ 3,048,160
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Cash overdrafts	\$ -	\$ -	\$ 146,868	\$ 146,868
Accounts payable	14,620	-	1,642	16,262
Accrued liabilities	574,518	-	-	574,518
Due to other funds	129,845	-	-	129,845
Deferred revenue	3,095	-	1,416	4,511
TOTAL LIABILITIES	722,078	-	149,926	872,004
FUND BALANCES:				
Designated for:				
School service activities	-	-	-	-
Athletic activities	-	-	-	-
Public Library activities	-	-	16,215	16,215
Retirement of debt	-	160,439	-	160,439
Future state aid adjustments	100,000	-	-	100,000
Unreserved:				
Undesignated	1,899,502	-	-	1,899,502
TOTAL FUND BALANCES	1,999,502	160,439	16,215	2,176,156
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,721,580	\$ 160,439	\$ 166,141	\$ 3,048,160

The accompanying notes are an integral part of these financial statements.

Munising Public Schools

Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets

June 30, 2008

Total Fund Balances for Governmental Funds	\$	2,176,156
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*Amounts reported for governmental activities in the statement
of net assets are different because:*

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds.

Cost of capital assets	\$ 13,209,967	
Accumulated depreciation	(8,645,317)	
		4,564,650

Unamortized bond issue costs are not financial resources and
therefore are not reported in the funds

35,363

Long-term liabilities are not due and payable in the current period and are
not reported in the funds. Long-term liabilities at year-end consist of:

Bonds payable - current	415,161	
Bonds payable - long term	3,504,593	
Deferred premium on refunding bonds	250,674	
Deferred gain on refunding bonds	111,203	
Employee benefits payable	1,273,546	
		(5,555,177)

NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ 1,220,992

The accompanying notes are an integral part of these financial statements.

Munising Public Schools

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balance

For the Year Ended June 30, 2008

	General Fund	Debt Service Fund	Non-Major Governmental Funds	Total
REVENUES:				
Property taxes	\$ 1,645,310	\$ 559,195	\$ -	\$ 2,204,505
Federal sources	285,603	-	142,543	428,146
State Aid	4,449,360	-	18,152	4,467,512
Local sources	441,498	-	243,673	685,171
Interest	56,753	10,800	-	67,553
TOTAL REVENUES	6,878,524	569,995	404,368	7,852,887
EXPENDITURES:				
Current:				
Instruction	4,235,157	-	-	4,235,157
Supporting services	2,837,535	-	-	2,837,535
Community services	257	-	-	257
Payments to other governmental agencies	-	-	-	-
Facilities acquisitions	180,999	-	-	180,999
Food service activities	-	-	307,791	307,791
Athletic activities	-	-	169,075	169,075
Public Library activities	-	-	50,497	50,497
Debt Service:				
Principal	-	400,000	-	400,000
Interest	-	195,050	-	195,050
Other	-	3,137	-	3,137
TOTAL EXPENDITURES	7,253,948	598,187	527,363	8,379,498
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(375,424)	(28,192)	(122,995)	(526,611)
OTHER FINANCING SOURCES (USES):				
Transfers in (out)	(126,345)	-	126,345	-
TOTAL OTHER FINANCING SOURCES (USES)	(126,345)	-	126,345	-
NET CHANGE IN FUND BALANCES	(501,769)	(28,192)	3,350	(526,611)
Fund Balance, July 1	2,501,271	188,631	12,865	2,702,767
FUND BALANCE, JUNE 30	\$ 1,999,502	\$ 160,439	\$ 16,215	\$ 2,176,156

The accompanying notes are an integral part of these financial statements.

Munising Public Schools

Governmental Funds

**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures
and Changes in Fund Balance to the Statement of Activities**

For the Year Ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds	\$	(526,611)
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*Amounts reported for governmental activities in the statement
of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Depreciation expense	\$	(339,706)	
Capital outlays - facilities acquisition		152,614	
Capital outlays - supporting services		119,595	
Capital outlays - instruction		87,481	19,984

Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net assets.

-

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

400,000

Unamortized bond issue costs are reported as expenditures in the governmental funds when incurred. However, for governmental activities those costs are shown in the statement of net assets and amortized over the life of the bond issuance as other costs in the statement of activities.

(4,663)

Deferred gain on refunding bonds is reported in the governmental funds when incurred. However, for governmental activities those gains are shown in the statement of net assets and amortized over the life of the bond issuance as other costs in the statement of activities.

14,664

The premium on refunding bonds is reported in the governmental funds when incurred. However, for governmental activities those gains are shown in the statement of net assets and amortized over the life of the bond issuance as other costs in the statement of activities.

33,056

Some expense reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

(229,407)

Change in Net Assets of Governmental Activities

	\$	(292,977)
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The accompanying notes are an integral part of these financial statements.

Munising Public Schools
Fiduciary Funds
Statement of Fiduciary Net Assets
June 30, 2008

	<u>Totals</u>
ASSETS:	
Cash and cash equivalents	<u>\$ 129,177</u>
TOTAL ASSETS	<u><u>\$ 129,177</u></u>
LIABILITIES:	
Due to groups, organizations and activities	<u>\$ 129,177</u>
TOTAL LIABILITIES	<u><u>\$ 129,177</u></u>

The accompanying notes are an integral part of these financial statements.

MUNISING PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A – THE FINANCIAL REPORTING ENTITY:

The School District operates under an elected Board of Education of seven (7) members, which are elected across the District to establish programs and policies.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the financial position of the Munising Public Schools, Alger County. The criteria established by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

Based upon the application of these criteria, the financial statements of the Munising Public Schools contain all the funds controlled by the School District's Board of Education as no other entity meets the criteria to be considered a component unit of the School District nor is the School District a component unit of another entity.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the School District conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

BASIS OF PRESENTATION

District-Wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the School District as a whole. They include all funds of the School District except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through State sources, intergovernmental revenues, and other non-exchange revenues. All of the School District's district-wide activities are considered to be governmental activities.

Fund Financial Statements:

The accounts of the School District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report into two major categories: governmental and proprietary categories. An emphasis is placed on major funds within the governmental and proprietary categories. The General Fund is always considered a major fund and the remaining funds of the School District are considered major if it meets the following criteria:

- a. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- b. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The School District reports the General Fund and Debt Service Fund as its major governmental funds in accordance with the above criteria. The funds of the School District are described below:

Governmental Funds

General Fund – The General Fund is the main operating fund and accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – The special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including major capital projects). The special revenue funds for the Munising Public Schools are the Food Service, Athletics and Public Library Funds.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources such as taxes, state aid and interest revenue for the payment of general long-term debt principal, interest, and related costs.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the district-wide Statement of Net Assets and the Statement of Activities, governmental activities are presented using the economic resource measurement focus as defined below. In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable resources at the end of the period.

Basis of Accounting

In the district-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Also, the fiduciary fund financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. Expenditures, including capital outlay, are recorded when the related liability is incurred, except for principal and interest on general long-term debt and accrued compensated absences, which are reported when due.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Cash and Equivalents

The School District cash and cash equivalents as reported in the Statement of Net Assets are considered to be cash on hand, demand deposits, certificates of deposit and short-term investments with maturities of three months or less.

Investments

Investments are carried at market value.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Due From and To Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Inventory

Inventories are stated at cost, on a first-in, first-out basis, which approximates market value. Inventories recorded in the General Fund consist of centrally warehoused teaching and operating supplies for the School District. The School Lunch Fund consists of food and paper goods. For other funds, expenditures are recorded at the time of use.

Capital Assets

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and any assets susceptible to theft. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure-type assets.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-10 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Long-Term Debt

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures.

Compensated Absences

The School District's policies regarding compensated absences permits employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term debt in the district-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

Deferred Revenues

In the district-wide statements, deferred revenue is recognized when cash, receivables or other assets are received prior to their being earned. In the governmental fund statements, deferred revenue is recognized when revenue is unearned or unavailable. The School District has reported deferred revenue of \$5,151 in the General Fund for grant funding that has been received but is unearned.

Equity Classification

District-Wide Statements

Equity is classified as net assets and displayed in three components:

1. Invested in Capital Assets, Net of Related Debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
2. Restricted Net Assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions of enabling legislation.
3. Unrestricted Net Assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated, if appropriate.

Revenues

District-Wide Statements

In the district-wide Statement of Activities, revenues are segregated by activity, and are classified as either program revenue or general revenue. Program revenues include charges to customers or applicants for goods or services, operating grants and contributions and capital grants and contributions. General revenues include all revenues, which do not meet the criteria of program revenues and include revenues such as State funding and interest earnings.

Fund Statements

In the governmental fund statements, revenues are reported by source, such as federal sources, state sources and charges for services. Revenues consist of general purpose revenues and restricted revenues. General purpose revenues are available to fund any activity reported in that fund, while restricted revenues are available for a specific purpose or activity and the restrictions are typically required by law or a grantor agency. When both general purpose and restricted revenues are available for use, it is the School District's policy to use the restricted resources first.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Property Taxes

Property taxes are levied on July 1 and December 1, on behalf of the District by various taxing units and are payable without penalty by September 30 and February 28. The District recognizes property tax revenue when levied to the extent they result in current receivables (collected within sixty days of the end of the fiscal year.) Property taxes that are not collected within sixty days of the end of the fiscal year are recognized as revenue when collected.

Expenses/Expenditures

District-Wide Statements

In the district-wide Statement of Activities, expenses are segregated by activity (governmental or business-type), and are classified by function.

Fund Statements

In the governmental fund financial statements, expenditures are classified by character such as current operations, debt service and capital outlay.

Interfund Activity

As a general rule, the effect of interfund activity has been eliminated from the district-wide statements. Exceptions to this rule are (1) activities between funds reported as governmental activities and funds reported as business-type activities; and (2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct cost and program revenues for the functions concerned.

In the fund financial statements, transfers represent flows of assets between funds without equivalent flows of assets in return or a requirement for repayment.

Interfund receivables and payables have been eliminated from the Statement of Net Assets.

Budgets and Budgetary Accounting

The School District follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Superintendent submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is approved by the Board of Education.
- d. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the Board of Education.
- e. All annual appropriations lapse at fiscal year end.

Use of Estimates

The preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE C – DEPOSITS AND INVESTMENTS:

Cash Equivalents

As of June 30, 2008, the District's cash and cash equivalents and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Government
Cash and equivalents	\$1,852,377	\$129,177	\$1,981,554
Investments	-	-	-
	<u>\$1,852,377</u>	<u>\$129,177</u>	<u>\$1,981,554</u>

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the School's deposits may not be returned to it. State law does not require and the School does not have a deposit policy for custodial credit risk. The carrying amounts of the School's deposits with financial institutions were \$1,981,554 and the bank balance was \$2,073,353. The bank balance is categorized as follows.

Amount of Petty Cash	\$665
Amount insured by the FDIC	200,000
Amount uncollateralized and uninsured	<u>1,872,688</u>
	<u>\$2,073,353</u>

Investments

As of June 30, 2008, the District had no investment activity.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the District's investments. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Michigan statutes authorize the District to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

The District has no investment policy that would further limit its investment choices. Ratings are not required for the District's investment in Treasury Notes. The District's investments are in accordance with statutory authority.

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer.

NOTE D – ACCRUED LIABILITIES:

A summary of accrued liabilities at June 30, 2008 is as follows:

	Governmental Activities
Accrued wages	\$ 361,498
MESSA payable	172,280
Accrued fringes	40,740
	<u>\$ 574,518</u>

NOTE E – LONG-TERM OBLIGATIONS:

A summary of long-term obligations at June 30, 2008, and transactions related thereto for the year then ended is as follows:

	Balance July 1, 2007	Additions	Reductions	Balance June 30, 2008	Due Within One Year
School Improvement Bonds – Series 1998	\$ 54,754	\$ -	\$ -	\$ 54,754	\$5,161
2005 Refunding Bonds	4,265,000	-	400,000	3,865,000	410,000
Subtotal	4,319,754	-	400,000	3,919,754	415,161
Employee Benefits	1,044,139	229,407	-	1,273,546	-
TOTAL LONG-TERM DEBT	<u>\$5,363,893</u>	<u>\$229,407</u>	<u>\$400,000</u>	<u>\$5,193,300</u>	<u>\$415,161</u>

School Improvement Bonds

School Year	May 15		
	Interest	Principal	Total
2009-2009	\$1,351	\$5,161	\$6,512
2009-2010	1,106	5,406	6,512
2010-2011	848	5,664	6,512
2011-2012	11,444	32,308	43,752
2012-2013	296	6,215	6,511
Totals	<u>\$15,045</u>	<u>\$54,754</u>	<u>\$69,799</u>

The School Improvement Bonds, Series 1998 (\$92,731) dated November 24, 1998 mature annually on May 15 with interest at a rate of 4.76% per annum. The only revenue source for making the debt service payment on these School Improvement Bonds is an annual appropriation from the State of Michigan.

**2005 Refunding Bonds
June 30, 2008**

School Year	November 1 Interest	May 1		Total
		Interest	Principal	
2009-2009	\$92,525	\$92,525	\$410,000	\$595,050
2009-2010	86,375	86,375	425,000	597,750
2010-2011	75,750	75,750	445,000	596,500
2011-2012	64,625	64,625	470,000	599,250
2012-2013	52,875	52,875	490,000	595,750
2013-2014	40,625	40,625	515,000	596,250
2014-2015	27,750	27,750	540,000	595,500
2015-2016	14,250	14,250	570,000	598,500
Totals	<u>\$454,775</u>	<u>\$454,775</u>	<u>\$3,865,000</u>	<u>\$4,774,550</u>

NOTE E – LONG-TERM OBLIGATIONS (Continued):

On February 2, 2005, the District issued \$4,990,000 in General Obligation Bonds with an average interest rate of 3.75% to advance refund \$5,151,305 of outstanding Capital Appreciation Bonds with an average interest rate of 7.61%. The net proceeds of \$5,384,260 (after payment of \$86,355 in underwriting fees, insurance, and other issuance costs) plus additional \$117,000 Debt Retirement Fund monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Capital Appreciation Bonds. As a result, the Capital Appreciation Bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net assets.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$161,305. This difference, reported in the accompanying financial statements as a component of bonds payable, is being charged to operations through the year 2016 using the effective-interest method. The District completed the advance refunding to reduce its total debt service payments over the next 11 years by \$2,047,598 and to obtain an economic gain (difference between the present value of the old and new debt service payments) of \$1,332,212.

As of June 30, 2008 the aggregate maturities of long-term debt for the next succeeding five years are as follows:

School Year	Principal	Interest	Total
2009-2009	\$415,161	\$186,401	\$601,562
2009-2010	430,406	173,856	604,262
2010-2011	450,664	152,348	603,012
2011-2012	502,308	140,694	643,002
2012-2013	496,215	106,046	602,261
2013-2014	515,000	81,250	596,250
2014-2015	540,000	55,500	595,500
2015-2016	570,000	28,500	598,500
Totals	<u>\$3,919,754</u>	<u>\$924,595</u>	<u>\$4,844,349</u>

NOTE F – EMPLOYEE BENEFITS – COMPENSATED ABSENCES:

The School District accrues the liability for earned sick leave based on the termination method. The liability is accrued as the benefits are earned. Teachers meeting the requirements for retirement are paid \$200 per day up to 130 days of unused accumulated sick leave to be paid over three years in equal installments. Also upon retirement under the appropriate requirements the retiree is paid one month's pay based on a ten month school year at the teacher's current rate of pay excluding extracurricular pay. Other non-teaching employees are paid for sick leave based on their appropriate contract.

As of June 30, 2008 the liability for employee benefits as reported in the statement of net assets is as follows:

Sick Leave	\$759,789
Vacation Leave	62,418
Retirement	451,339
	<u>\$1,273,546</u>

NOTE G – CAPITAL ASSETS:

Capital assets activity of the School District's governmental activities was as follows:

	Balance July 1, 2007	Additions/ Adjustments	Deductions	Balance June 30, 2008
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$167,626	\$ -	\$-	\$167,626
Subtotal	167,626	-	-	167,626
Capital assets being depreciated:				
Land improvements	474,038	175,100	-	649,138
Buildings	8,763,469	31,285	-	8,794,754
Equipment	2,761,922	175,791	-	2,937,713
Vehicles and buses	705,563	-	44,827	660,736
Construction in progress	22,486	-	22,486	-
Total Capital Assets Being Depreciated	12,727,478	382,176	67,313	13,042,341
Less accumulated depreciation:				
Land improvements	(378,777)	(10,904)	-	(389,681)
Buildings	(5,151,762)	(167,040)	-	(5,318,802)
Equipment	(2,327,855)	(112,279)	-	(2,440,134)
Vehicle and buses	(492,044)	(49,483)	(44,827)	(496,700)
Total Accumulated Depreciation	(8,350,438)	(339,706)	(44,827)	(8,645,317)
Governmental Activities Capital Assets, Net	\$4,544,666	\$42,470	\$22,486	\$4,564,650

Depreciation expense was charged to governmental activities as follows:

Governmental Activities:	
Unallocated	\$339,706
Total Governmental Activities Depreciation Expense	\$339,706

NOTE H – RESERVED AND DESIGNATED FUND EQUITY:

The School District designates fund equities for the following funds:

School Lunch Fund – The resources of the School Lunch Fund are to be used for the school lunch program. The fund equity is reserved for this purpose.

Debt Service Funds – The resources of the Debt Service Funds have been accumulated for the specific purpose of bond and interest debt retirement. The fund equities are reserved for these purposes.

Public Library – The resources of the Public Library Fund have been accumulated for the specific purpose of operating the Munising Public Library. The fund equities are reserved for this purpose.

NOTE I – STATE REVENUE:

The State of Michigan currently uses a foundation grant approach which provides for a specific annual amount of revenue per student based on a state wide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2008, the foundation allowance was based on the weighted average of pupil membership counts taken in February and October.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18

NOTE I – STATE REVENUE (Continued):

mills. The state revenue is recognized during the foundation period (currently the fiscal year) and is funded through 11 payments from October 2007 – August 2008.

The School District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year are recorded as deferred revenue.

NOTE J – FUND MODIFICATIONS (TRANSFER TO/FROM OTHER FUNDS):

Munising Public Schools reports interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds. Interfund transactions resulting in interfund receivables and payables are as follows:

		DUE FROM OTHER FUNDS	
		General Fund	Total Due To Other Funds
DUE TO OTHER FUNDS	Athletic Fund	\$117,285	\$117,285
	Lunch Fund	\$12,560	12,560
	Total Due From Other Funds	<u>\$129,845</u>	<u>\$129,845</u>

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. See table below.

		Transfer Out To Other Funds		
		General Fund	Public Library Fund	Total Transfers In
Transfer In From Other Funds	General Fund	\$-	\$3,500	\$3,500
	Athletic Fund	117,285	-	117,285
	Lunch Fund	12,560	-	12,560
	Total Transfers Out	<u>\$129,845</u>	<u>\$3,500</u>	<u>\$133,345</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE K – NONMONETARY TRANSACTIONS:

The School District receives USDA donated food commodities for use in its food service program which are accounted for in the School Lunch Fund. The commodities are accounted for on the modified accrual basis and the related revenues and expenditures are recognized as commodities as utilized. The School District recognized \$20,296 during fiscal 2008 in revenues and expenditures for USDA commodities.

NOTE L – PROPERTY TAXES:

The taxable value of real and personal property located in the School District at December 31, 2007 totaled \$156,108,752 (\$69,409,355 designated as Homestead and \$86,699,397 designated as Non-Homestead). The total tax levy consists of 18.0000 mills for the General Fund and 3.5 mills for debt retirement.

NOTE M – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN:

Substantially all of the School District's employees are eligible to participate in the statewide Michigan Public School Employees' Retirement System (MPERS), a multiple-employer, cost-sharing public employee retirement system. Effective January 1, 1987, Act 91 of the Public Acts of 1985 established a voluntary contribution to the Member Investment plan (MIP). Employees first hired before January 1, 1990, made a one-time irrevocable election to contribute to the tax deferred MIP. Employees first hired on or after January 1, 1990 will automatically be included in MIP.

Members in MIP may retire at any age after attaining thirty years of creditable service or at age sixty while still working with a minimum total of five years of creditable service and with credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is calculated using a formula of 1.5% of the average of the highest total earnings during a period of thirty-six consecutive calendar months (three years) multiplied by total years to the nearest tenth of a year of credited service.

Employees who did not elect the MIP option fall under the MPERS Basic Plan and may retire after attaining age sixty with ten or more years of credited service; or with thirty or more years of credited service; or attaining age fifty-five while still working at least fifteen but fewer than thirty years of credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date.

The retirement allowance is computed using a formula of 1.5% of the average of the highest total earnings during a period of sixty consecutive months (five years) multiplied by the total years to the nearest tenth of a year of credited service.

The District was required by state statute to contribute 17.74% of covered compensation to the Plan through September 30, 2007 and 16.72% of covered compensation for the remainder of the year. The total amount contributed to the Plan for the year ended June 30, 2008 was \$786,734 which consisted of \$697,892 from the School District and \$88,842 from employees electing the MIP option. These represent approximately 16.91% and 2.15% of covered payroll, respectively. The School Districts contributions to MPERS for 2007 and 2006 were \$699,647 and \$658,814.

Payroll paid to employees covered by the System for the year ended June 30, 2008 was approximately \$4,126,088. The School District's total payroll was approximately \$4,238,616.

Post Employment Benefits – Under the MPERS Act, all retirees participating in the MPERS Pension Plan have the option of continuing health, dental and vision coverage. Retirees having these coverage's contribute an amount equivalent to the monthly cost of Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverage. Required contributions for post employment health care benefits are included as part of the District's total

NOTE M – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN (Continued):

contribution to the MPSERS plan discussed above.

The District is not responsible for the payment of retirement benefits and health insurance which is the responsibility of the State of Michigan. MPSERS' issues a publicly available financial report that includes financial statements and required supplementary information for the system. More information may be obtained by writing MPSERS, at MPSERS, P.O. Box 30673, Lansing, Michigan, 48909-8103.

NOTE N – CONTINGENT LIABILITIES:

Grant Assistance

The School District has received significant assistance from federal and state agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and are subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the School District.

Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The School District was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The School District joined together with other units and created a public entity risk pool currently operating as a common risk management and insurance program. The School District pays an annual premium to the pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$500,000 for each insured event.

The School District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The School District is unable to provide an estimate of the amounts of additional assessments that may be required to make the pool self-sustaining.

NOTE O – ECONOMIC DEPENDENCY:

The School District received approximately 62 percent of its revenue through state and federal sources to be used for providing elementary and secondary education for the residents of Munising. The District's Foundation Allowance is set by the state and includes the local contribution from Non Homestead taxes. Increases in the local Non Homestead property tax revenues are offset by a corresponding decrease in state aid on a per pupil basis.

NOTE P – SINGLE AUDIT:

The District's audited financial statements report a total of \$428,146 in Federal expenditures. As this amount is less than the single audit threshold of \$500,000, the District is therefore not required to have an audit in accordance with OMB Circular A-133 for the fiscal year ended June 30, 2008.

REQUIRED SUPPLEMENTAL INFORMATION

Munising Public Schools

General Fund

Budgetary Comparison Schedule

For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variances	
	Original	Final	(GAAP Basis)	Original Budget to Final Budget	Final Budget to Actual
REVENUES:					
Local sources	\$ 1,847,424	\$ 2,053,807	\$ 2,143,561	\$ 206,383	\$ 89,754
State sources	4,758,087	4,486,291	4,449,360	(271,796)	(36,931)
Federal sources	287,675	286,373	285,603	(1,302)	(770)
TOTAL REVENUES	6,893,186	6,826,471	6,878,524	(66,715)	52,053
EXPENDITURES:					
Instruction:					
Basic Programs	3,294,376	3,362,446	3,344,287	(68,070)	18,159
Added Needs	911,179	895,845	890,870	15,334	4,975
Adult/Continuing education	-	-	-	-	-
Total Instruction	4,205,555	4,258,291	4,235,157	(52,736)	23,134
Supporting Services:					
Pupil services	160,132	168,565	165,169	(8,433)	3,396
Instructional staff	150,797	163,022	156,394	(12,225)	6,628
General administration	232,489	238,506	237,462	(6,017)	1,044
School administration	505,308	511,437	510,742	(6,129)	695
Fiscal services	183,862	180,136	179,598	3,726	538
Operation and maintenance	857,054	913,523	894,703	(56,469)	18,820
Security	-	-	-	-	-
Pupil transportation	466,680	405,725	400,114	60,955	5,611
Staff services	-	35,395	24,449	(35,395)	10,946
Support service - technology	295,237	273,310	268,904	21,927	4,406
Total Supporting Services	2,851,559	2,889,619	2,837,535	(38,060)	52,084
Other Functions:					
Community Service	-	258	257	(258)	1
Custody and Care of Children	-	-	-	-	-
Total Other Functions	-	258	257	(258)	1
Payments to Other Governmental Agencies					
Other	1,157	969	-	188	969
Total Payments to Other Government Agencies	1,157	969	-	188	969
Facilities Acquisition					
Capital Outlay	99,321	174,040	180,999	(74,719)	(6,959)
Total Facilities Acquisition	99,321	174,040	180,999	(74,719)	(6,959)
TOTAL EXPENDITURES	7,157,592	7,323,177	7,253,948	(165,585)	69,229
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(264,406)	(496,706)	(375,424)	(232,300)	121,282
OTHER FINANCING SOURCES					
Transfers in (out)	(127,236)	(133,500)	(126,345)	(6,264)	7,155
NET CHANGE IN FUND BALANCE	(391,642)	(630,206)	(501,769)	(238,564)	128,437
Fund Balance, July 1	2,501,271	2,501,271	2,501,271	-	-
FUND BALANCE, JUNE 30	\$ 2,109,629	\$ 1,871,065	\$ 1,999,502	\$ (238,564)	\$ 128,437

Munising Public Schools

Debt Service Fund

Budgetary Comparison Schedule

For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original Budget to Final Budget	Final Budget to Actual
REVENUES:					
Local sources	\$ 566,974	\$ 566,974	\$ 569,995	\$ -	\$ 3,021
State sources	-	-	-	-	-
Federal sources	-	-	-	-	-
TOTAL REVENUES	<u>566,974</u>	<u>566,974</u>	<u>569,995</u>	<u>-</u>	<u>3,021</u>
EXPENDITURES:					
Debt Service					
Principal	400,000	400,000	400,000	-	-
Interest	195,050	195,050	195,050	-	-
Other	5,512	5,512	3,137	-	2,375
TOTAL EXPENDITURES	<u>600,562</u>	<u>600,562</u>	<u>598,187</u>	<u>-</u>	<u>2,375</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(33,588)</u>	<u>(33,588)</u>	<u>(28,192)</u>	<u>-</u>	<u>5,396</u>
OTHER FINANCING SOURCES					
Transfers in (out)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(33,588)</u>	<u>(33,588)</u>	<u>(28,192)</u>	<u>-</u>	<u>5,396</u>
Fund Balance, July 1	<u>188,631</u>	<u>188,631</u>	<u>188,631</u>	<u>-</u>	<u>-</u>
FUND BALANCE, JUNE 30	<u>\$ 155,043</u>	<u>\$ 155,043</u>	<u>\$ 160,439</u>	<u>\$ -</u>	<u>\$ 5,396</u>

SUPPLEMENTAL FINANCIAL INFORMATION

Munising Public Schools

General Fund

**Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual**

For the Year Ended June 30, 2008

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Local Sources:			
Unrestricted:			
Taxes and Penalties:			
Property tax levy	\$ 1,566,625	\$ 1,645,310	\$ 78,685
Other Local Sources:			
Rental of school facilities	27,000	30,788	3,788
Other local revenue	21,125	28,722	7,597
Income from investments	55,500	56,753	1,253
Refund on prior year expense	-	-	-
Sale of land	3,650	3,650	-
Restricted:			
Sault tribe funds	19,907	17,776	(2,131)
Special education - hold harmless	360,000	360,562	562
TOTAL LOCAL SOURCES	<u>2,053,807</u>	<u>2,143,561</u>	<u>89,754</u>
 State Sources:			
Unrestricted:			
State aid	4,091,593	4,028,109	(63,484)
Isolated Districts	-	26,759	
State Miscellaneous	1,427	1,219	
Restricted:			
At Risk	112,098	112,099	1
Middle school math/science	-	-	
Special Education - Hold Harmless	248,424	248,424	-
Durant payment	13,452	13,453	1
Gifted and talented	-	-	-
Vocational education	19,297	19,297	-
TOTAL STATE SOURCES	<u>4,486,291</u>	<u>4,449,360</u>	<u>(63,482)</u>
 Federal Sources:			
Unrestricted:			
Schools and Roads Grant	46,585	46,586	1
Restricted:			
Title II	49,935	49,936	1
Title IX - Indian Education	41,791	41,791	-
Service Provider - Self Review	753	750	(3)
Strong families, safe children	-	-	-
Restricted - received through the state:			
E.I.C.I.A. Title I	102,119	102,119	-
E.I.C.I.A. Title V	1,664	1,664	-
Restricted - received through MARESA:			
PA 94-142 Special Education Flow through	38,781	38,012	(769)
Other	4,745	4,745	-
TOTAL FEDERAL SOURCES	<u>286,373</u>	<u>285,603</u>	<u>(770)</u>
 TOTAL REVENUES	<u>6,826,471</u>	<u>6,878,524</u>	<u>25,502</u>

Munising Public Schools

General Fund

**Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual**

For the Year Ended June 30, 2008

	Final Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES:			
Instruction:			
Elementary:			
Salaries	\$ 1,120,023	\$ 1,119,252	\$ 771
Fringe benefits	592,068	588,963	3,105
Purchased services	11,654	11,612	42
Supplies and materials	40,041	37,634	2,407
Capital outlay	1,805	1,805	-
Other expenses	465	465	-
TOTAL ELEMENTARY	1,766,056	1,759,731	6,325
Middle/Junior High:			
Salaries	252,667	252,225	442
Fringe benefits	114,296	113,763	533
Purchased services	2,525	2,523	2
Supplies and materials	13,038	12,511	527
Capital outlay	585	515	70
Other expenses	1,040	1,033	7
TOTAL MIDDLE/JUNIOR HIGH	384,151	382,570	1,581
High School:			
Salaries	741,513	740,355	1,158
Fringe benefits	396,639	393,469	3,170
Purchased services	13,540	12,196	1,344
Supplies and materials	37,441	34,731	2,710
Capital outlay	6,013	5,953	60
Other expenses	4,393	4,343	50
TOTAL HIGH SCHOOL	1,199,539	1,191,047	8,492
Summer School:			
Salaries	7,952	6,960	992
Fringe benefits	2,427	1,696	731
Purchased services	-	-	-
Supplies and materials	2,321	2,283	38
Capital outlay	-	-	-
Other expenses	-	-	-
TOTAL SUMMER SCHOOL	12,700	10,939	1,761
Special Education:			
Salaries	392,177	390,684	1,493
Fringe benefits	207,525	206,373	1,152
Purchased services	32,649	32,563	86
Supplies and materials	8,813	8,542	271
Capital outlay	2,764	2,764	-
Other expenses	65	65	-
TOTAL SPECIAL EDUCATION	643,993	640,991	3,002

Munising Public Schools

General Fund

**Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual**

For the Year Ended June 30, 2008

	Final Budget	Actual	Variance Favorable (Unfavorable)
Compensatory Education:			
Salaries	\$ 150,050	\$ 150,049	\$ 1
Fringe benefits	73,648	73,641	7
Purchased services	1,852	1,552	300
Supplies and materials	6,241	4,580	1,661
Capital outlay	-	-	-
Other expenses	-	-	-
TOTAL COMPENSATORY EDUCATION	231,791	229,822	1,969
 Career and Technical Education:			
Salaries	330	330	-
Fringe benefits	82	80	2
Purchased services	350	350	-
Supplies and materials	14,180	14,179	1
Capital outlay	5,119	5,118	1
Other expenses	-	-	-
TOTAL CAREER AND TECHNICAL EDUCATION	20,061	20,057	4
 TOTAL INSTRUCTION	4,258,291	4,235,157	23,134
 Supporting Services:			
Pupil Services:			
Guidance:			
Salaries	25,331	25,331	-
Fringe benefits	8,580	8,557	23
Purchased services	-	-	-
Supplies and materials	430	389	41
Capital outlay	-	-	-
Other expenses	209	-	209
TOTAL GUIDANCE	34,550	34,277	273
 Health:			
Salaries	12,791	12,790	1
Fringe benefits	3,149	3,146	3
Purchased services	-	-	-
Supplies and materials	925	912	13
Capital outlay	-	-	-
Other expenses	-	-	-
TOTAL HEALTH	16,865	16,848	17
 Speech Pathology and Audiology:			
Salaries	49,623	49,590	33
Fringe benefits	27,854	27,715	139
Purchased services	-	-	-
Supplies and materials	834	834	-
Capital outlay	-	-	-
Other expenses	-	-	-
TOTAL SPEECH PATHOLOGY AND AUDIOLOGY	78,311	78,139	172

Munising Public Schools

General Fund

**Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual**

For the Year Ended June 30, 2008

	Final Budget	Actual	Variance Favorable (Unfavorable)
Teacher Consultants:			
Salaries	10,133	10,132	1
Fringe benefits	3,431	3,425	6
Purchased services	-	-	-
Supplies and materials	-	-	-
Capital outlay	-	-	-
Other expenses	-	-	-
TOTAL TEACHER CONSULTANTS	13,564	13,557	7
Other Pupil Support:			
Salaries	20,315	17,981	2,334
Fringe benefits	4,960	4,367	593
Purchased services	-	-	-
Supplies and materials	-	-	-
Capital outlay	-	-	-
Other expenses	-	-	-
TOTAL OTHER PUPIL SUPPORT	25,275	22,348	2,927
TOTAL PUPIL SERVICES	168,565	165,169	3,396
Instructional Staff:			
Improvement of Instruction:			
Salaries	16,145	14,827	1,318
Fringe benefits	3,927	3,044	883
Purchased services	12,794	12,780	14
Supplies and materials	779	777	2
Capital outlay	-	-	-
Other expenses	-	-	-
TOTAL IMPROVEMENT OF INSTRUCTION	33,645	31,428	2,217
Educational Media:			
Salaries	27,327	26,262	1,065
Fringe benefits	15,502	15,084	418
Purchased services	5,745	4,195	1,550
Supplies and materials	3,172	2,199	973
Capital outlay	5,464	5,460	4
Other expenses	285	273	12
TOTAL EDUCATION MEDIA	57,495	53,473	4,022
Technology Assisted			
Salaries	-	-	-
Fringe benefits	-	-	-
Purchased services	-	-	-
Supplies and materials	-	-	-
Capital outlay	-	-	-
Other expenses	8,830	8,520	310
TOTAL TECHNOLOGY ASSISTED	8,830	8,520	310

Munising Public Schools

General Fund

**Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual**

For the Year Ended June 30, 2008

	Final Budget	Actual	Variance Favorable (Unfavorable)
Supervision and Direction			
Salaries	\$ 49,410	\$ 49,410	\$ -
Fringe benefits	13,642	13,563	79
Purchased services	-	-	-
Supplies and materials	-	-	-
Capital outlay	-	-	-
Other expenses	-	-	-
TOTAL SUPERVISION AND DIRECTION	63,052	62,973	79
TOTAL INSTRUCTIONAL STAFF	163,022	156,394	6,628
General Administration:			
Board of Education			
Salaries	-	-	-
Fringe benefits	-	-	-
Purchased services	29,514	29,147	367
Supplies and materials	-	-	-
Capital outlay	-	-	-
Other expenses	3,560	3,556	4
TOTAL BOARD OF EDUCATION	33,074	32,703	371
Executive Administration			
Salaries	130,318	130,317	1
Fringe benefits	71,885	71,268	617
Purchased services	-	-	-
Supplies and materials	1,225	1,171	54
Capital outlay	-	-	-
Other expenses	2,004	2,003	1
TOTAL EXECUTIVE ADMINISTRATION	205,432	204,759	673
TOTAL GENERAL ADMINISTRATION	238,506	237,462	1,044
School Administration:			
Office of the Principal			
Salaries	335,408	335,401	7
Fringe benefits	174,319	173,640	679
Purchased services	-	-	-
Supplies and materials	-	-	-
Capital outlay	-	-	-
Other expenses	1,710	1,701	9
TOTAL OFFICE OF THE PRINCIPAL	511,437	510,742	695
TOTAL SCHOOL ADMINISTRATION	511,437	510,742	695

Munising Public Schools

General Fund

**Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual**

For the Year Ended June 30, 2008

	Final Budget	Actual	Variance Favorable (Unfavorable)
Business Services:			
Fiscal Services:			
Salaries	\$ 97,716	\$ 97,716	\$ -
Fringe benefits	58,639	58,373	266
Purchased services	15,875	15,678	197
Supplies and materials	1,937	1,900	37
Capital outlay	-	-	-
Other expenses	-	-	-
TOTAL FISCAL SERVICES	<u>174,167</u>	<u>173,667</u>	<u>500</u>
Other Business Services:			
Salaries	-	-	-
Fringe benefits	-	-	-
Purchased services	5,969	5,931	38
Supplies and materials	-	-	-
Capital outlay	-	-	-
Other expenses	-	-	-
TOTAL OTHER BUSINESS SERVICES	<u>5,969</u>	<u>5,931</u>	<u>38</u>
TOTAL BUSINESS SERVICES	<u>180,136</u>	<u>179,598</u>	<u>538</u>
Operation and Maintenance:			
Salaries	281,737	281,691	46
Fringe benefits	140,450	139,482	968
Purchased services	112,603	108,500	4,103
Supplies and materials	344,345	330,717	13,628
Capital outlay	33,606	33,531	75
Other expenses	782	782	-
TOTAL OPERATION AND MAINTENANCE	<u>913,523</u>	<u>894,703</u>	<u>18,820</u>
Security:			
Salaries	-	-	-
Fringe benefits	-	-	-
Purchased services	-	-	-
Supplies and materials	-	-	-
Capital outlay	-	-	-
Other expenses	-	-	-
TOTAL SECURITY	<u>-</u>	<u>-</u>	<u>-</u>
Pupil Transportation			
Salaries	207,564	207,393	171
Fringe benefits	78,465	78,161	304
Purchased services	38,437	38,263	174
Supplies and materials	78,799	73,925	4,874
Capital outlay	1,960	1,946	14
Other expenses	500	426	74
TOTAL PUPIL TRANSPORTATION	<u>405,725</u>	<u>400,114</u>	<u>5,611</u>

Munising Public Schools

General Fund

**Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual**

For the Year Ended June 30, 2008

	Final Budget	Actual	Variance Favorable (Unfavorable)
Staff Services:			
Salaries	\$ -	\$ -	\$ -
Fringe benefits	-	-	-
Purchased services	35,395	24,449	10,946
Supplies and materials	-	-	-
Capital outlay	-	-	-
Other expenses	-	-	-
TOTAL STAFF SERVICES	35,395	24,449	10,946
Support Services/Technology:			
Salaries	60,401	60,401	-
Fringe benefits	33,665	33,331	334
Purchased services	42,180	39,660	2,520
Supplies and materials	21,600	20,877	723
Capital outlay	115,464	114,635	829
Other expenses	-	-	-
TOTAL SUPPORT SERVICES/TECHNOLOGY	273,310	268,904	4,406
TOTAL SUPPORTING SERVICES	2,889,619	2,837,535	52,084
Community Services			
Salaries	-	-	-
Fringe benefits	-	-	-
Purchased services	225	225	-
Supplies and materials	33	32	1
Capital outlay	-	-	-
Other expenses	-	-	-
TOTAL COMMUNITY SERVICES	258	257	1
Payments to Other Governmental Agencies			
Title II, Part A - SAM Transfer	-	-	-
AmeriCorps	-	-	-
Indirect Costs	969	-	969
TOTAL PAYMENTS TO OTHER GOVERNMENTAL AGENCIES	969	-	969
Facilities Acquisition			
Capital Outlay	174,040	180,999	(6,959)
TOTAL FACILITIES ACQUISITION	174,040	180,999	(6,959)
TOTAL EXPENDITURES	7,323,177	7,253,948	69,229
EXCESS REVENUES (EXPENDITURES)	(496,706)	(375,424)	94,731
Other Financing Sources (Uses):			
Transfers In (Out):			
Lunch Fund	(13,000)	(12,560)	440
Athletic Fund	(124,000)	(117,285)	6,715
Public Library Fund	3,500	3,500	-
TOTAL OTHER FINANCING USES	(133,500)	(126,345)	7,155
NET CHANGE IN FUND BALANCE	(630,206)	(501,769)	101,886
Fund Balance, July 1	2,501,271	2,501,271	-
FUND BALANCE, JUNE 30	\$ 1,871,065	\$ 1,999,502	\$ 101,886

Munising Public Schools

Debt Service Fund

**Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual**

For the Year Ended June 30, 2008

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Taxes and penalties	\$ 556,974	\$ 559,195	\$ 2,221
State aid	-	-	-
Interest	10,000	10,800	800
TOTAL REVENUES	566,974	569,995	3,021
EXPENDITURES:			
Principal payments	400,000	400,000	-
Interest	195,050	195,050	-
Other	5,512	3,137	2,375
TOTAL EXPENDITURES	600,562	598,187	2,375
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(33,588)	(28,192)	5,396
OTHER FINANCING SOURCES (USES):			
Transfers in (out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
NET CHANGE IN FUND BALANCE	(33,588)	(28,192)	5,396
Fund Balance, July 1	188,631	188,631	-
FUND BALANCE, JUNE 30	\$ 155,043	\$ 160,439	\$ 5,396

Munising Public Schools

Non-Major Funds

Combining Balance Sheet

June 30, 2008

	Special Revenue Funds			Total
	School Lunch Fund	Athletic Fund	Public Library Fund	
ASSETS:				
Cash and cash equivalents	\$ -	\$ -	\$ 14,295	\$ 14,295
Accounts receivable	2,869	148	3,544	6,561
Due from other funds	12,560	117,285	-	129,845
Inventory	15,440	-	-	15,440
TOTAL ASSETS	<u>\$ 30,869</u>	<u>\$ 117,433</u>	<u>\$ 17,839</u>	<u>\$ 166,141</u>
LIABILITIES AND FUND BALANCES:				
LIABILITIES:				
Cash overdrafts	\$ 29,435	\$ 117,433	\$ -	\$ 146,868
Accounts payable	18	-	1,624	1,642
Accrued liabilities	-	-	-	-
Deferred revenue	1,416	-	-	1,416
TOTAL LIABILITIES	<u>30,869</u>	<u>117,433</u>	<u>1,624</u>	<u>149,926</u>
FUND BALANCES:				
Reserved for school service activities	-	-	16,215	16,215
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 30,869</u>	<u>\$ 117,433</u>	<u>\$ 17,839</u>	<u>\$ 166,141</u>

Munising Public Schools

Non-Major Funds

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance

For the Year Ended June 30, 2008

	Special Revenue Funds			Total
	School Lunch Fund	Athletic Fund	Public Library Fund	
REVENUES:				
Athletic activities	\$ -	\$ 51,790	\$ -	\$ 51,790
School lunch activities	130,150	-	-	130,150
Public library activities	-	-	61,733	61,733
State aid	18,152	-	-	18,152
Federal sources	142,543	-	-	142,543
TOTAL REVENUES	290,845	51,790	61,733	404,368
EXPENDITURES:				
School lunch activities	307,791	-	-	307,791
Athletic activities	-	169,075	-	169,075
Public library activities	-	-	50,497	50,497
TOTAL EXPENDITURES	307,791	169,075	50,497	527,363
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(16,946)	(117,285)	11,236	(122,995)
OTHER FINANCING SOURCES (USES):				
Transfers in (out)	12,560	117,285	(3,500)	126,345
TOTAL OTHER FINANCING SOURCES (USES)	12,560	117,285	(3,500)	126,345
NET CHANGE IN FUND BALANCE	(4,386)	-	7,736	3,350
Fund Balance, July 1	4,386	-	8,479	12,865
FUND BALANCE, JUNE 30	\$ -	\$ -	\$ 16,215	\$ 16,215

Munising Public Schools

School Lunch Fund

**Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual**

For the Year Ended June 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
School lunch activities	\$ 130,085	\$ 130,150	\$ 65
State aid	18,151	18,152	1
Federal sources	<u>144,661</u>	<u>142,543</u>	<u>(2,118)</u>
TOTAL REVENUES	<u>292,897</u>	<u>290,845</u>	<u>(2,052)</u>
EXPENDITURES:			
School lunch activities:			
Salaries	109,073	109,058	15
Fringe benefits	64,698	64,697	1
Purchased services	690	689	1
Supplies and materials	135,186	132,832	2,354
Capital outlay	-	-	-
Other expenses	<u>516</u>	<u>515</u>	<u>1</u>
TOTAL EXPENDITURES	<u>310,163</u>	<u>307,791</u>	<u>2,372</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(17,266)	(16,946)	320
OTHER FINANCING SOURCES (USES):			
Transfers in (out)	<u>13,000</u>	<u>12,560</u>	<u>(440)</u>
TOTAL OTHER FINANCING SOURCES (USES):	<u>13,000</u>	<u>12,560</u>	<u>(440)</u>
NET CHANGE IN FUND BALANCE	(4,266)	(4,386)	(120)
Fund Balance, July 1	<u>4,386</u>	<u>4,386</u>	<u>-</u>
FUND BALANCE, JUNE 30	<u><u>\$ 120</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (120)</u></u>

Munising Public Schools

Athletic Fund

**Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual**

For the Year Ended June 30, 2008

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Athletic activities	\$ 51,400	\$ 51,790	\$ 390
TOTAL REVENUES	51,400	51,790	390
EXPENDITURES:			
Athletic activities:			
Salaries	103,292	101,568	1,724
Fringe benefits	25,760	25,283	477
Purchased services	22,862	20,478	2,384
Supplies and materials	14,158	13,118	1,040
Capital outlay	7,102	7,063	39
Other expenses	2,226	1,565	661
TOTAL EXPENDITURES	175,400	169,075	6,325
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(124,000)	(117,285)	6,715
OTHER FINANCING SOURCES (USES):			
Transfers in (out)	124,000	117,285	(6,715)
TOTAL OTHER FINANCING SOURCES (USES)	124,000	117,285	(6,715)
NET CHANGE IN FUND BALANCE	-	-	-
Fund Balance, July 1	-	-	-
FUND BALANCE, JUNE 30	\$ -	\$ -	\$ -

Munising Public Schools

Public Library Fund

**Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual**

For the Year Ended June 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Public library revenue	\$ 56,611	\$ 61,733	\$ 5,122
TOTAL REVENUES	<u>56,611</u>	<u>61,733</u>	<u>5,122</u>
EXPENDITURES:			
Bookstore activities:			
Salaries	24,072	24,003	69
Fringe benefits	16,148	14,542	1,606
Purchased services	8,528	8,438	90
Supplies and materials	4,203	3,354	849
Capital outlay	-	-	-
Other expenses	160	160	-
TOTAL EXPENDITURES	<u>53,111</u>	<u>50,497</u>	<u>2,614</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3,500	11,236	7,736
OTHER FINANCING SOURCES (USES)			
Transfer in (out)	(3,500)	(3,500)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(3,500)</u>	<u>(3,500)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	7,736	7,736
Fund Balance, July 1	<u>8,479</u>	<u>8,479</u>	<u>-</u>
FUND BALANCE, JUNE 30	<u>\$ 8,479</u>	<u>\$ 16,215</u>	<u>\$ 7,736</u>

Munising Public Schools
Student Activity Agency Fund
Statement of Changes in Assets and Liabilities
For the Year Ended June 30, 2008

	Balance July 1	Additions	Deductions	Balance June 30
ASSETS				
Cash and cash equivalents	\$ 132,262	\$ 185,442	\$ 188,527	\$ 129,177
TOTAL ASSETS	<u>\$ 132,262</u>	<u>\$ 185,442</u>	<u>\$ 188,527</u>	<u>\$ 129,177</u>
LIABILITIES				
Due to others	\$ 132,262	\$ 185,442	\$ 188,527	\$ 129,177
TOTAL LIABILITIES	<u>\$ 132,262</u>	<u>\$ 185,442</u>	<u>\$ 188,527</u>	<u>\$ 129,177</u>

COMPLIANCE SECTION



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN
ESCANABA
IRON MOUNTAIN
KINROSS
MARQUETTE

WISCONSIN
GREEN BAY
MILWAUKEE

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Board of Education
Munising Public Schools
411 Elm Avenue
Munising, Michigan 49862

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Munising Public Schools as of and for the year ended June 30, 2008, which collectively comprise the Munising Public School's basic financial statements and have issued our report thereon dated September 12, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Munising Public School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Munising Public School's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Munising Public School's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Munising Public School's financial statements that is more than inconsequential will not be prevented or detected by the Munising Public School's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Munising Public School's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Munising Public School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards*.

Board of Education
Munising Public Schools

This report is intended solely for the information and use of management, the audit committee, and Board of Education and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

September 12, 2008